



## U.S. Department of Housing and Urban Development

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**Special Attention of:**

Directors, Home Ownership Centers  
Directors, Processing and Underwriting  
Divisions, Home Ownership Centers  
Direct Endorsement Lenders

**TRANSMITTAL** Handbook No. 4150.2

Issued: July 1, 1999

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### 1. This transmits

Change 1 to Handbook 4150.1 REV-1, Valuation Analysis for Home Mortgage Insurance. The new Handbook number is 4150.2. This Handbook is intended to replace and supersede in its entirety the provisions of Handbook 4150.1 except as provided below under the heading "Filing Instructions."

### 2. Explanation of Materials

This handbook reflects policy changes enacted since March 15, 1990 on valuation requirements for existing, proposed and new construction of one- to four-family units for mortgage insurance purposes. This Handbook incorporates and updates the sections of Mortgagee Letters and other HUD Handbooks that are relevant to appraisals. The following section identifies those letters and Handbooks.

### MORTGAGEE LETTERS

These Mortgagee Letters have been incorporated in part or in full into the Handbook:

- 97-46 Appraisal Management Firms
- 97-41 Clarification of 97-22 Regarding New Construction in Flood Plains
- 97-22 FHA New Construction, Inspection and Appraisal Requirements Sections: Cost Approach, Valuation Conditions, Appraisal Form
- 96-29 Paperwork Reduction, Lead-Based Paint Disclosure Section: Lead-based Paint
- 96-26 Appraiser Standards
- 96-5 Elimination of the Fee Panel and Mortgagee Staff Appraiser Designations
- 95-40 Revisions to the 203(k) Rehabilitation Mortgage Insurance Program
- 95-34 Testing of and On-Site Well/Septic System Inspections (Web)
- 94-54 Procedures for Lenders to Use to Select Their Own Appraisers Sections III and IV
- 94-36 Clarification of ML 92-18: Testing of Individual Wells
- 94-26 HUD Reorganization
- 94-11 Revisions to the 203k Rehabilitation Insurance Program Item 18
- 94-6 Processing Sec 248 - Indian Reservations Item 1-10
- 94-3 Revised Appraisal Report Forms
- 92-18 Single Family Loan Production - Acceptance of Individual Residential Water Purification Equipment; Section 3.6.1.6
- 91-1 Implementation of Certain Provisions of the 1990 Housing Legislation Section X

## **HANDBOOKS**

The following Handbook chapters have been incorporated into the new Handbook 4150.2. The information has been updated to reflect the newest policies and procedures. Because these handbooks were written primarily for lenders, builders or HUD staff, the instruction relevant to the appraiser has been extracted.

### **4000.2 Mortgagee's Handbook**

- Chapter 2-8—General Acceptability Standards for Property
- Chapter 2-12—The Appraisal Package
- Chapter 2-15—Review of the Appraisal
- Chapter 2-18—Compliance Inspection
- Chapter 2-19—Satisfying Repair Requirements
- Chapter 2-20—Section 223(e)
- Chapter 2-23—Delivery of Statement of Appraised Value
- Chapter 4-3—Reconsideration: Changes Involving Property
- Chapter 6-5—Section 203(k)

### **4000.4 Guide for Single Family Direct Endorsement Program**

- Chapter 1-6 Minimum Property Standards
- Chapter 1-7—Eligibility of Condominium Projects
- Chapter 3-3—Property Valuation Procedures
- Chapter 3-14—Lead-Based Paint Hazard
- Chapter 4-9 D—Post-Endorsement Technical Review

### **4020.1 Underwriting Analysis**

- Chapter 1-8—Instruction for the Selection and Approval of Fee Personnel
- Chapter 1-11—Training
- Chapter 3-6—Differentiation between Valuation and Mortgage Risk Analysis
- Chapter 4—Eligibility Requirements

### **4125.1 Underwriting - Technical Direction for Home Mortgage Insurance**

- Chapter 1-13—Underwriting - Technical Direction for Home Mortgage Insurance: Field Review
- Chapter 3-3 F—Processing Procedures

### **4240.2 Rehabilitation Home Mortgage Insurance, Section 203(k)**

- Chapter 3-2—Step-by-step Procedures: Appraiser Responsibilities
- Chapter 2-2—Valuation Procedures

### **4260.1 Section 223 (a) (d) (e) Mortgage Insurance**

- Chapter 3-1 e—Administrative Instructions
- Chapter 4-4—Insurance in Older Declining Urban Areas

### **4265.1 Home Mortgage Insurance for Condominium Units**

- Chapter 10-2 A—Data Needed for Valuation
- Chapter 10-2 B—Approach to Value
- Chapter 12-12 D—Processing the Unit

**4910.1 Minimum Property Standards for Property which is not Multifamily or  
Care Type Property**  
Appendix K—Minimum Property Standards

**3. Filing Instructions**

Remove:

Handbook 4150.1 REV-1 except for these paragraphs and/or chapters:

- Paragraphs 4-12 (a) and (b), 6-29 through 6-33, 8-4, 10-5, 10-6, 10-9, 12-3, 12-5 through 12-8, 12-11, 12-12, 12-16 through 12-19
- Chapter 11

The above Chapters remain for lender instruction as outstanding policy and procedure for valuation analysis.

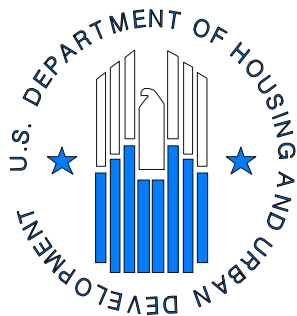
Insert:

Handbook 4150.2 dated July 1, 1999

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Assistant Secretary for  
Housing-Federal Housing Commissioner

Distribution: W-3-1, R-1, R-2, R-3-1 (H) (RC), R-3-2, R-3-3, R-6, R-6-2, R-7, R-7-2, R-8, ASC



**HANDBOOK 4150.2**

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**Valuation Analysis for  
Home Mortgage Insurance**

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**for Single Family  
One- to Four- Unit Dwellings**

**July 1, 1999**